

# **Global Grain Market Outlook**

**Kelly Olson  
Idaho Barley Commission  
December 2013**



# Key Points

- ❑ **Outside Market Influences / Volatility**
- ❑ **World & U.S. Grain Market Fundamentals**
- ❑ **Barley, Corn and Wheat Market Trends**

# Outside Market Influences

- **VOLATILITY IS THE NEW NORM...**
  - **Speculative \$\$\$**
  - Europe emerging from recession
  - Slowing growth in developing markets; China
  - Middle East uncertainties
  - **U.S. political gridlock / debt ceiling / QE3 tapering**
- **BIG ECONOMIC UNCERTAINTIES remain in 2014...**
  - **U.S. fiscal and monetary policies?**
  - **Recovery in global economic growth?**

# World & U.S. Supply & Demand (USDA WASDE, Dec. 10, 2013)

	<u>World Barley</u>	<u>U.S. Barley</u>	<u>World Corn</u>	<u>U.S. Corn</u>	<u>World Wheat</u>	<u>U.S. Wheat</u>
<b>Output</b>	141.4 MMT + 9%	4.7 MMT - 1%	962.8 MMT + 12%	355.3 MMT +30%	706.4 MMT + 8%	57.9 MMT - 6%
<b>Carryout</b>	22.8 MMT + 12%	1.7 MMT + 3%	164.3 MMT + 22%	47.9 MMT +130%	178.5 MMT + 2%	15.4 MMT - 21%
<b>Stocks / Use</b>	16%	33%	18%	15%	25%	23%

# Barley Market 2013/14



- Lower production in 2011 & 2012, but **significant recovery in 2013**

- Sluggish domestic market

## **Beer sales flat for past 5 years**

- -1.2% in 2011 (+13% craft)
- +1.3% in 2012 (+15%)
- -1.7% Q3 2013 (+12%)
- **World stocks-to-use 15% → 16%**
- **U.S. stocks-to-use 35% → 33%**



# Barley Price Outlook



- **Ave. U.S. farm-gate price projection:**  
\$5.65 - \$6.35/bu – MY 2013/14  
\$6.43 - MY 2012/13  
\$5.35 - MY 2011/12
- **Idaho feed barley prices:** \$7.75/Cwt  
Nov. 2013 vs. \$12.50 Nov. 2012
- **Idaho malting barley prices:**  
\$11.50/Cwt Nov. 2013 vs. \$12.60 Nov.  
2012

# Corn Market 2013/14



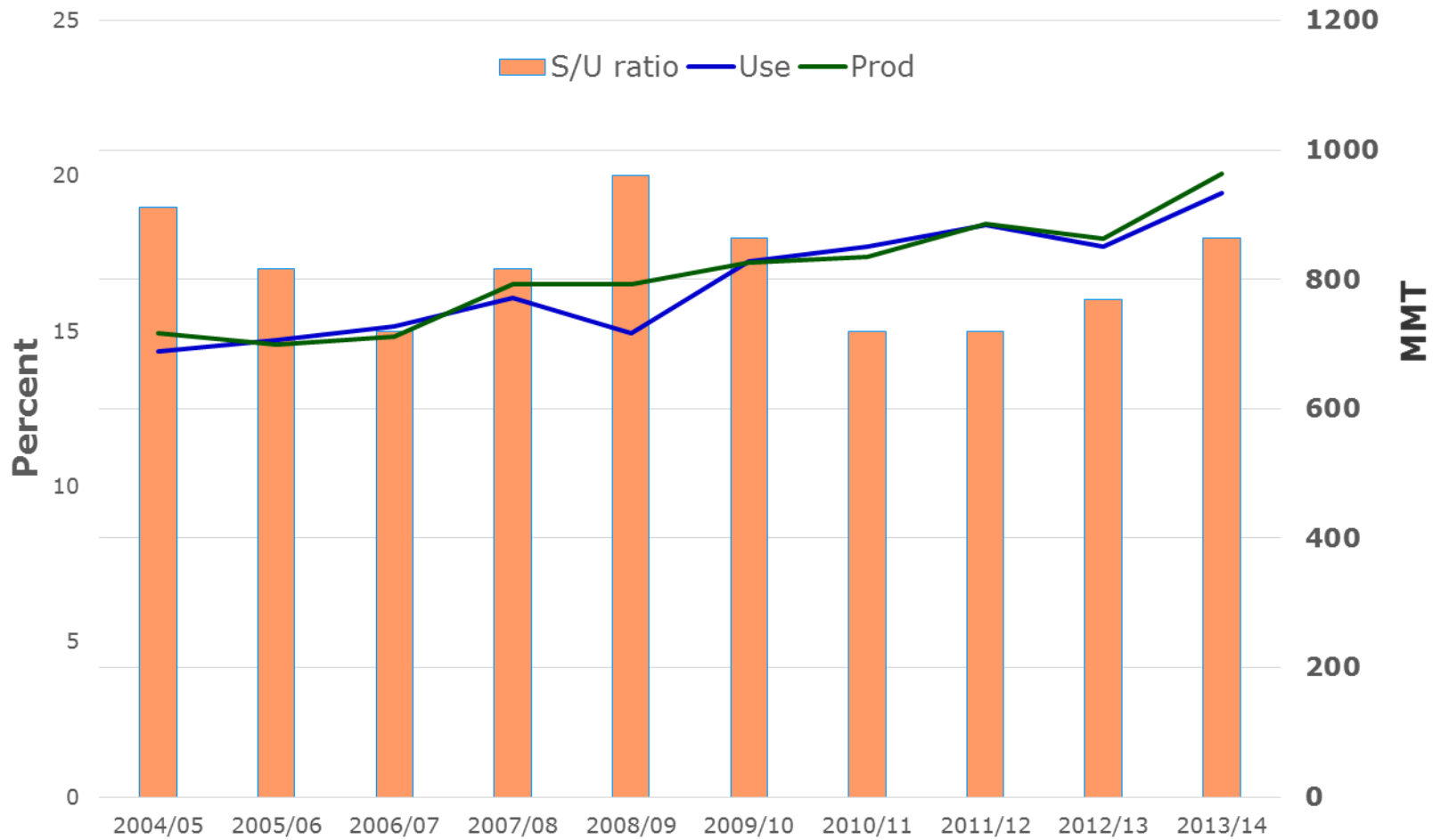
- **Exceptional 2012 drought** - 10.8 billion bu (123.4 bpa)
- **2 back to back years of tight stocks.**
  - **World stocks-to-use – 16% → 18%**
  - **U.S. stocks-to-use – 8% → 16%**
- Rising prices ( $> \$8.00$ ) = demand destruction
- Rise of new export competitors (Brazil and Ukraine)



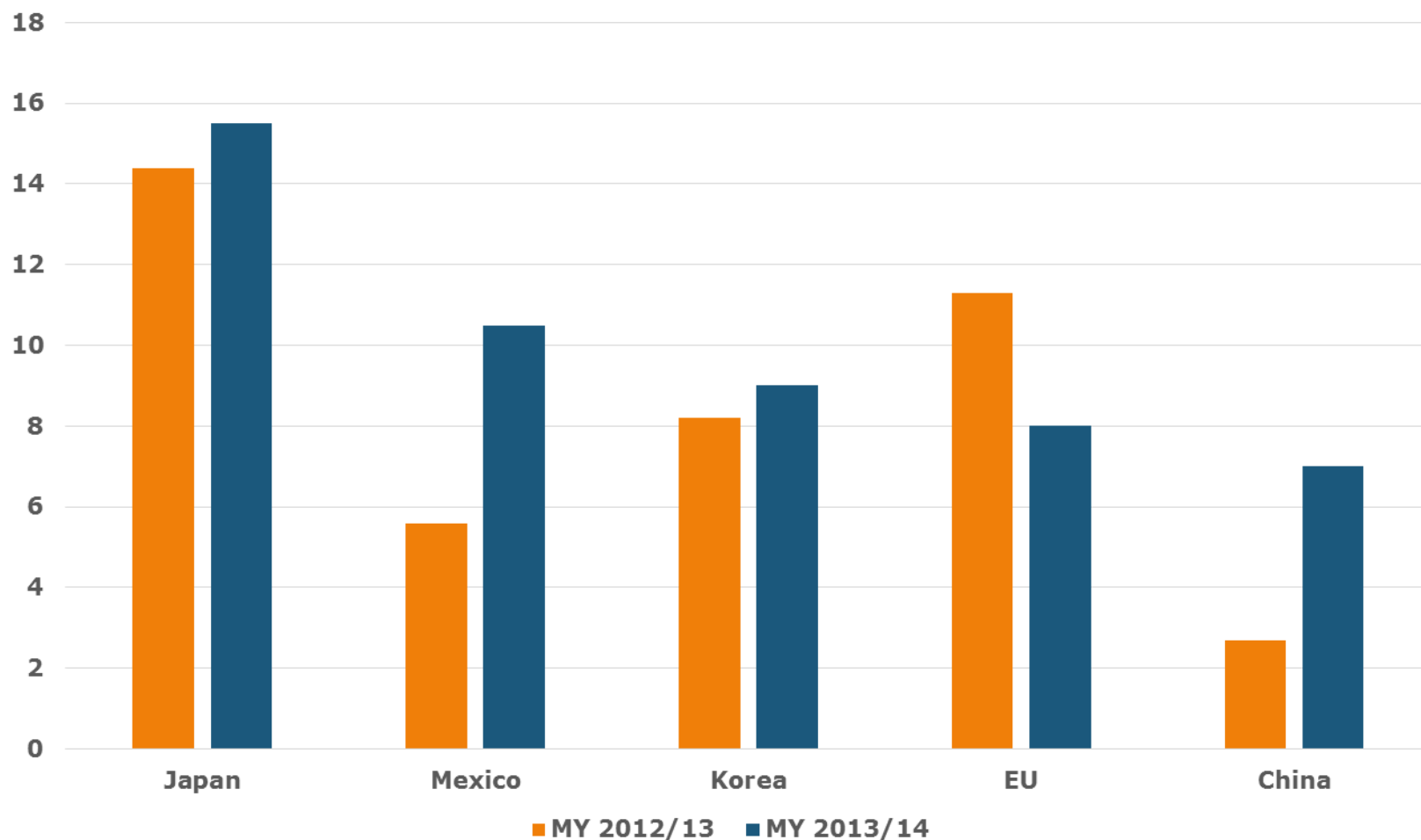
- **RECORD U.S. production in 2013**  
**13.99+ billion bu (160 bpa), +30%**
- +20% increase in feed use
- Exports recover from multi-year low,  
+90%. Cumulative export sales now tally  
69% of projected use vs. 5-year ave  
49%.
- **WILD CARD: Chinese imports?** 4.45  
MMT so far vs. 2.5 MMT in MY 2012/13.  
USDA Projection 7 MMT.



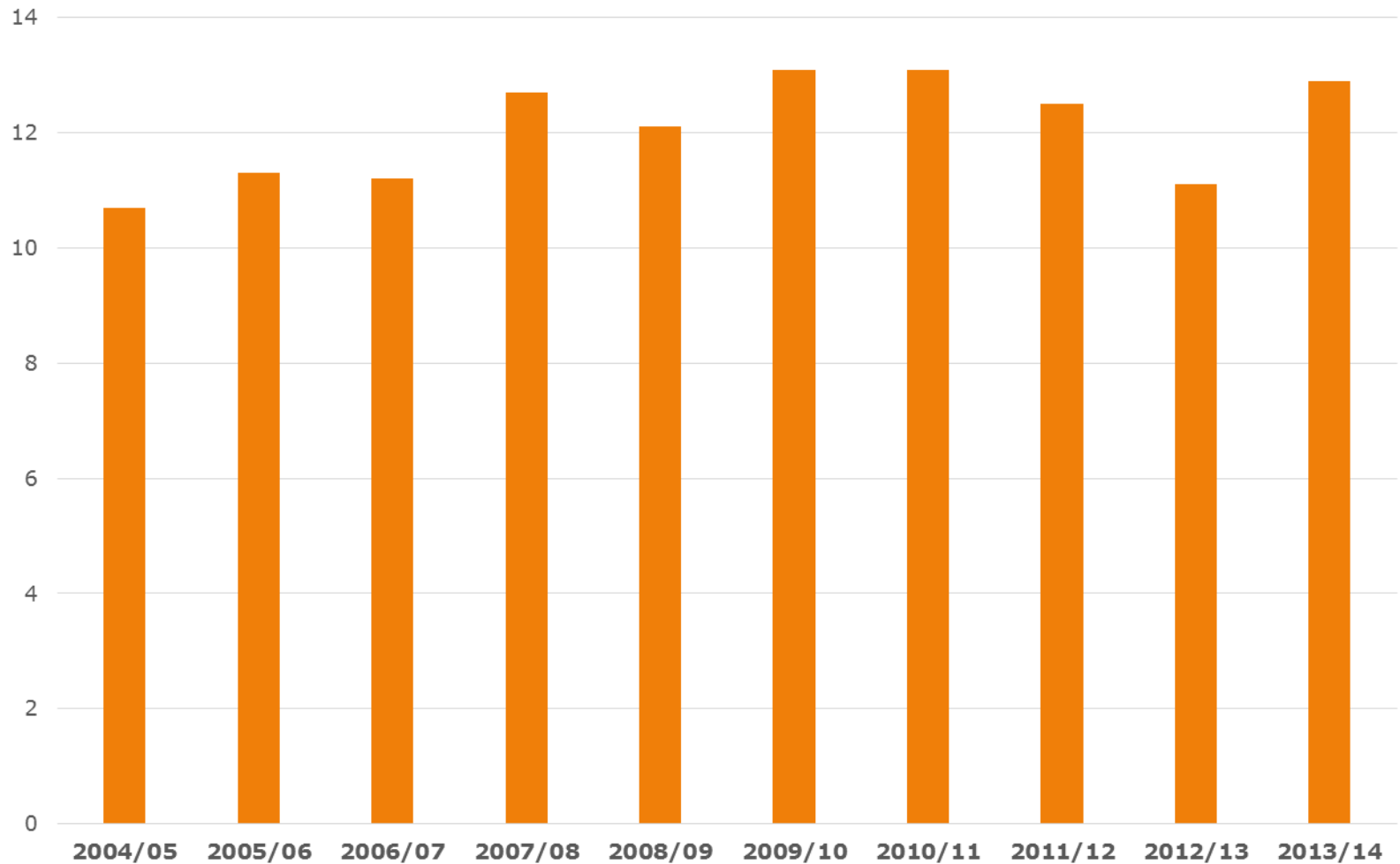
# World Corn Production, Use Stocks/Use



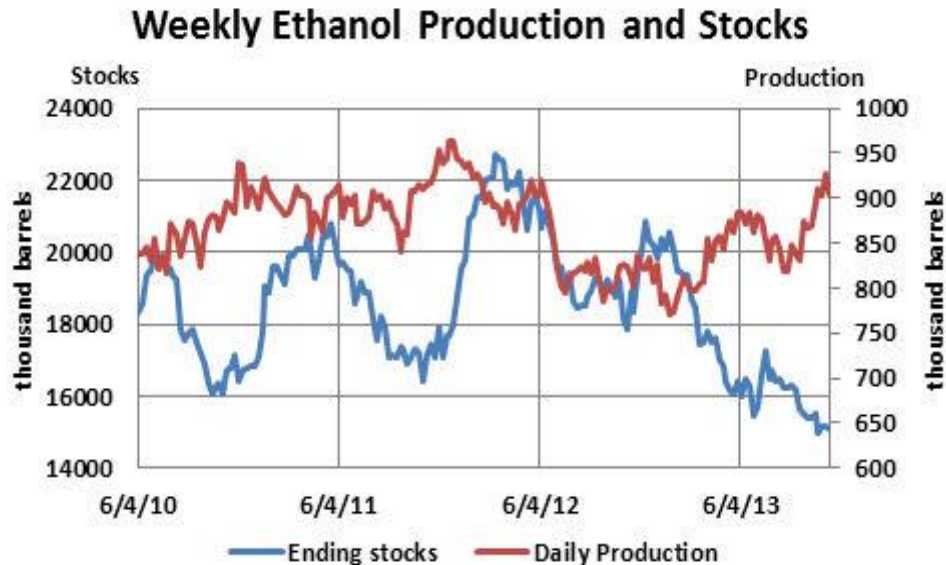
## World Corn Importers, MMT 2012/13 vs. 2013/14



## US Corn Disappearance billion bu



# Ethanol demand makes comeback



- Current use on pace to exceed USDA estimate, but 2014 RFS mandate will be lower.
- EPA proposed cutting from 13.8 bgal (2013) to 13.0 bgal (2014).

## ZCH14 - Corn - Daily Line Chart



## ZC - Corn - Weekly Nearest Line Chart

■ ZCH14: 416-2



(c) Barchart.com

## ZCZ14 - Corn - Daily Line Chart



# Corn Price Outlook



- **Ave. U.S. farm-gate price projection:**  
\$4.10 - \$4.90/bu – MY 2013/14  
\$6.89 - MY 2012/13  
\$6.22 - MY 2011/12



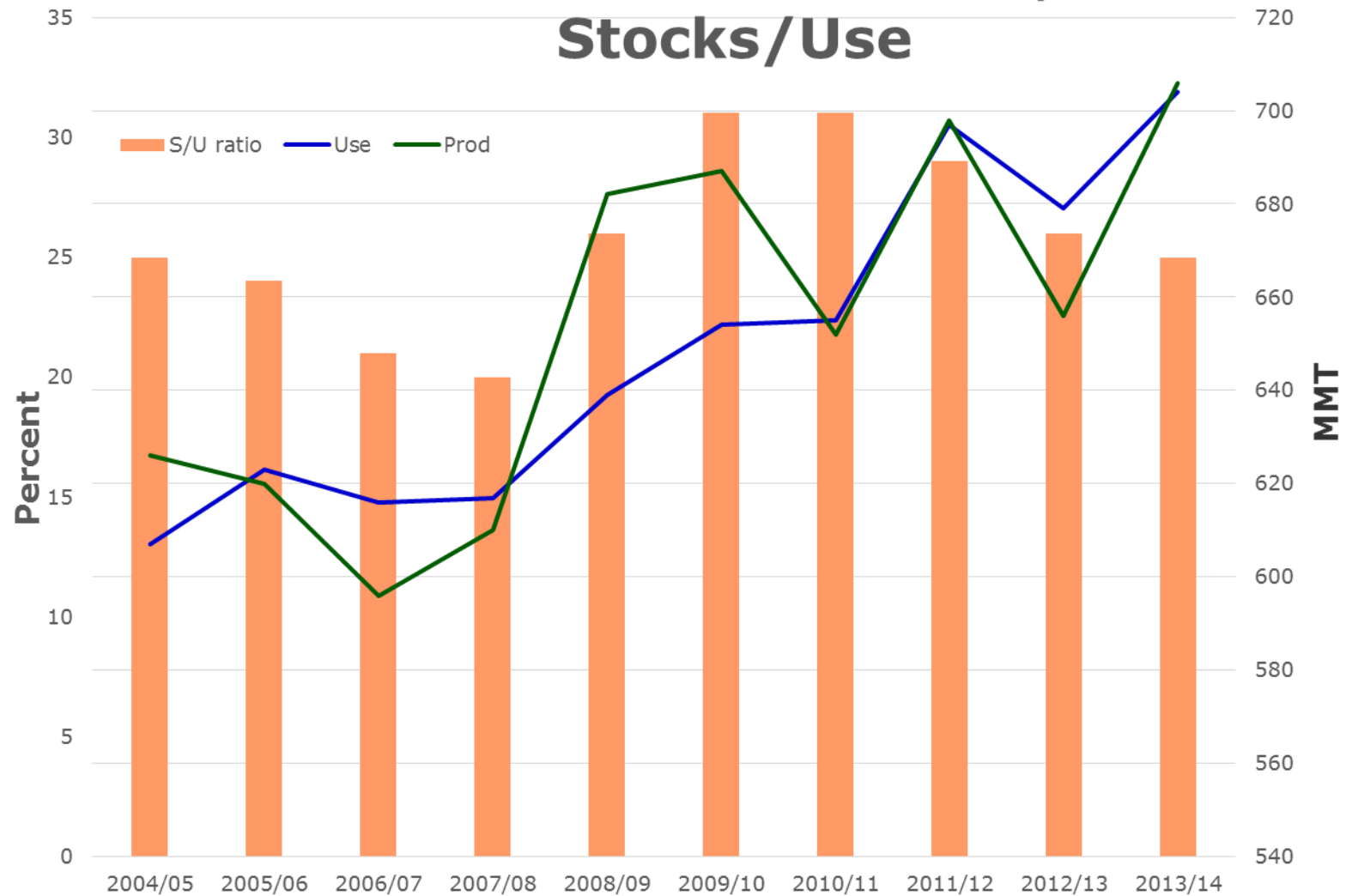
# Wheat Markets 2013/14



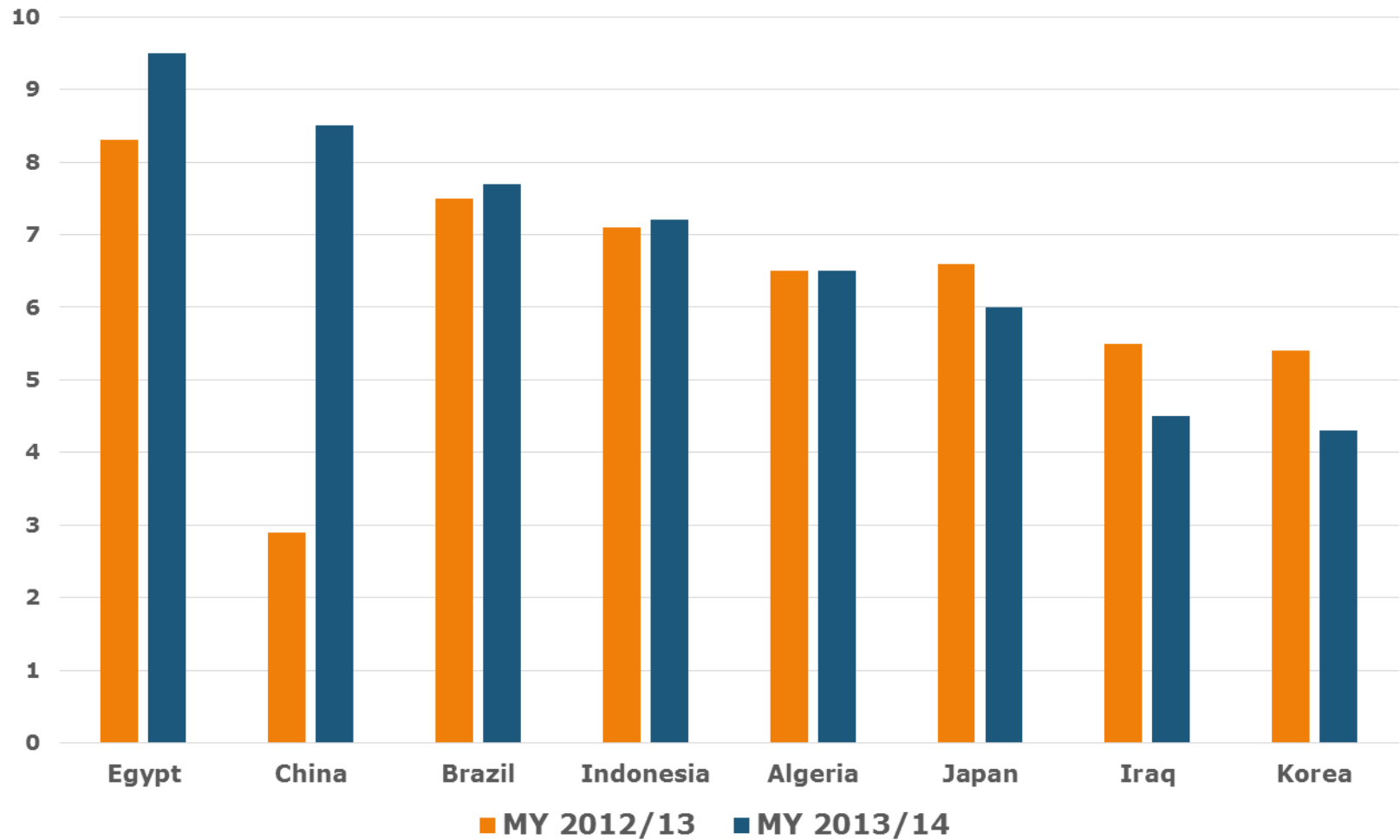
- **BIGGER global crops.**
- **US wheat export sales pace VERY STRONG EARLY but tapering off** – cumulative sales 73% vs. 5-year average of 62%.
- Strong inquiries from China and Brazil.
- South American harvest underway, problems in Argentina and Australia, but still bigger crops.

- Big Canadian crop (prod +22% and exports +16%)
- Black Sea (prod +35% and exports +34%) aggressive sellers early but have slowed as stocks are depleted.
- Europe and India aggressive bidders now.
- **World stocks-to-use 26% → 25%**
- **U.S. stocks-to-use 30% → 23%**
- Tightening global milling stocks this winter.

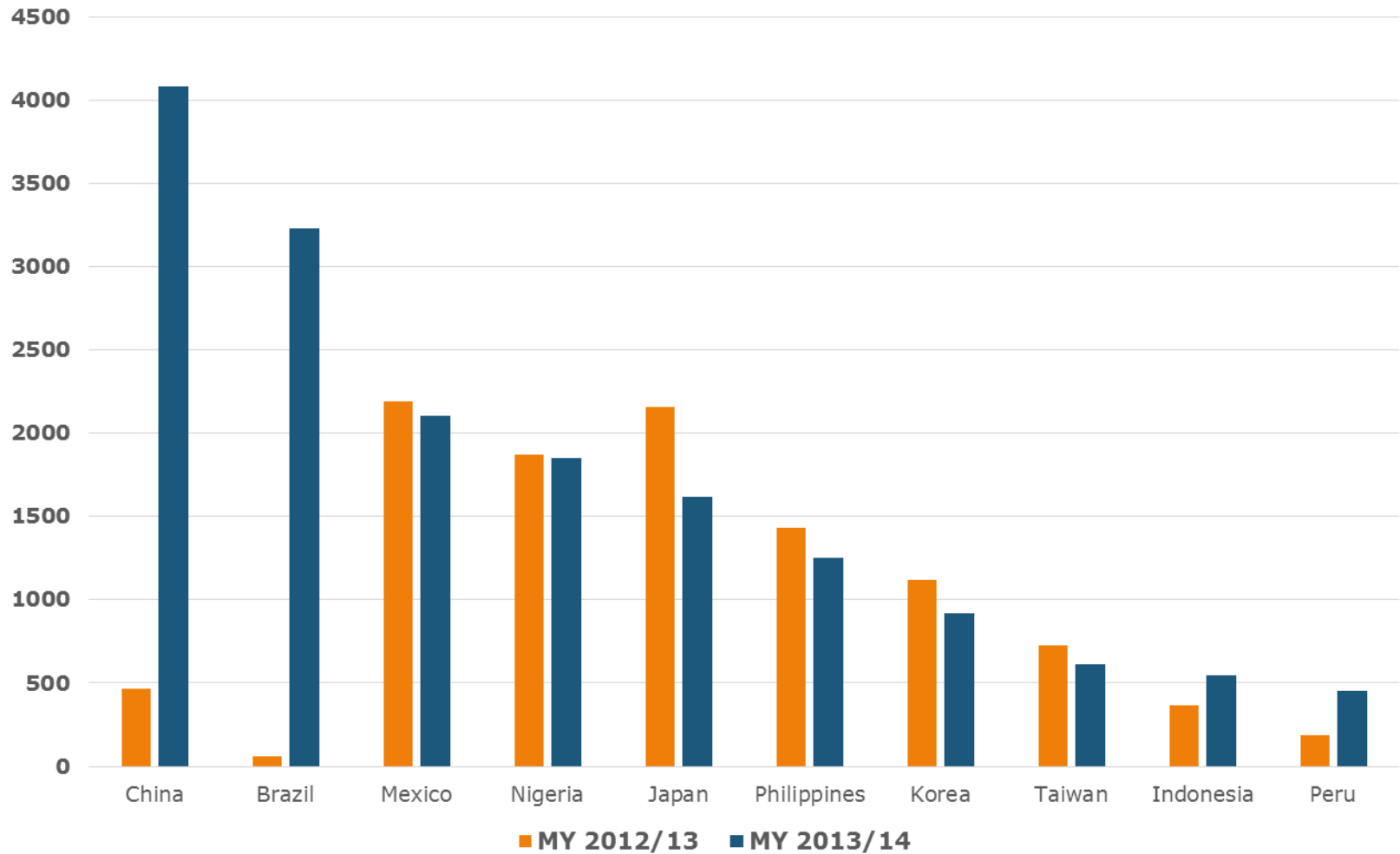
# World Wheat Production, Use Stocks/Use



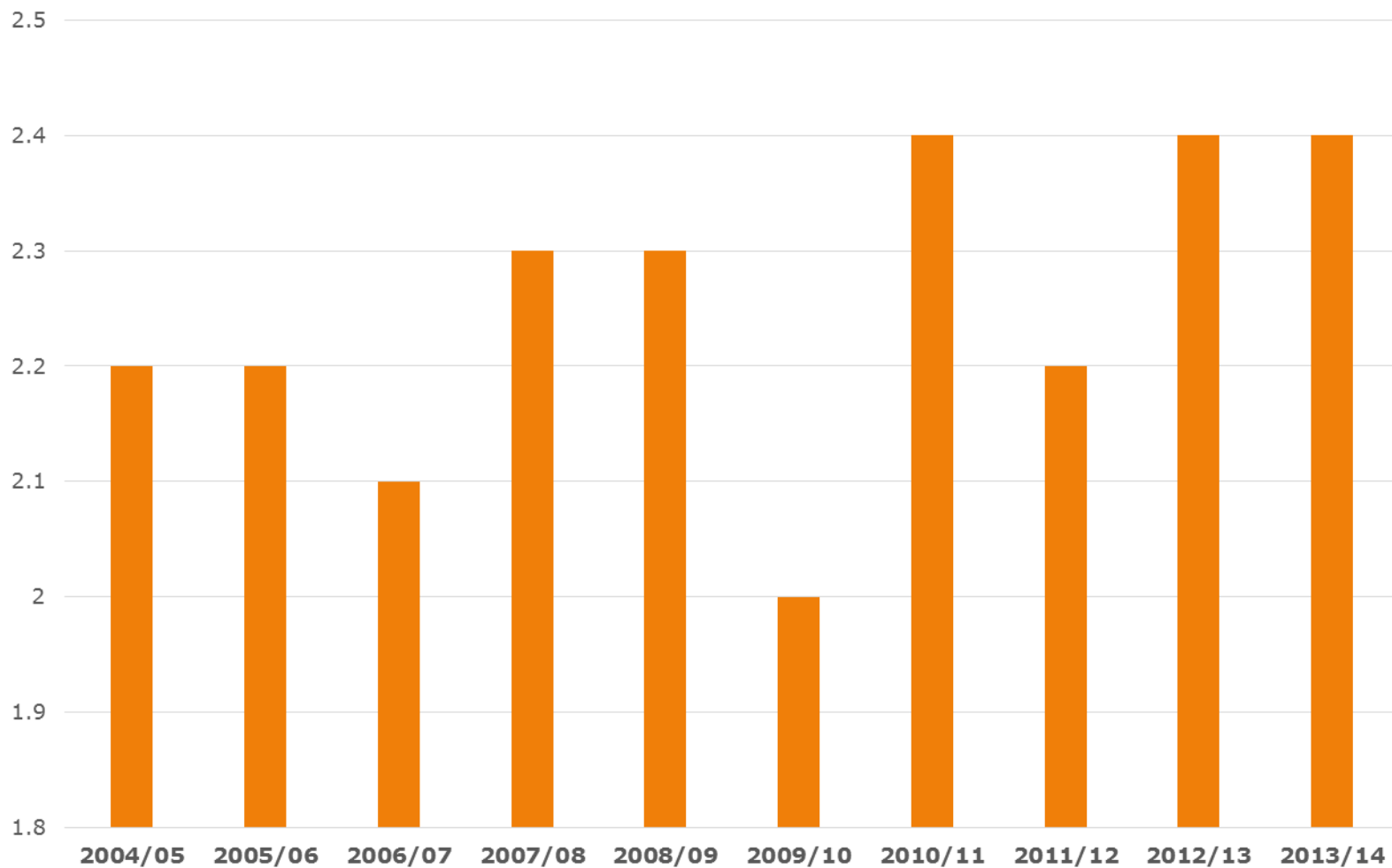
## World Wheat Importers, MMT 2012/13 vs. 2013/14



# Top US Wheat Customers, MMT 2012/13 vs. 2013/14 YTD



# US Wheat Disappearance billion bu

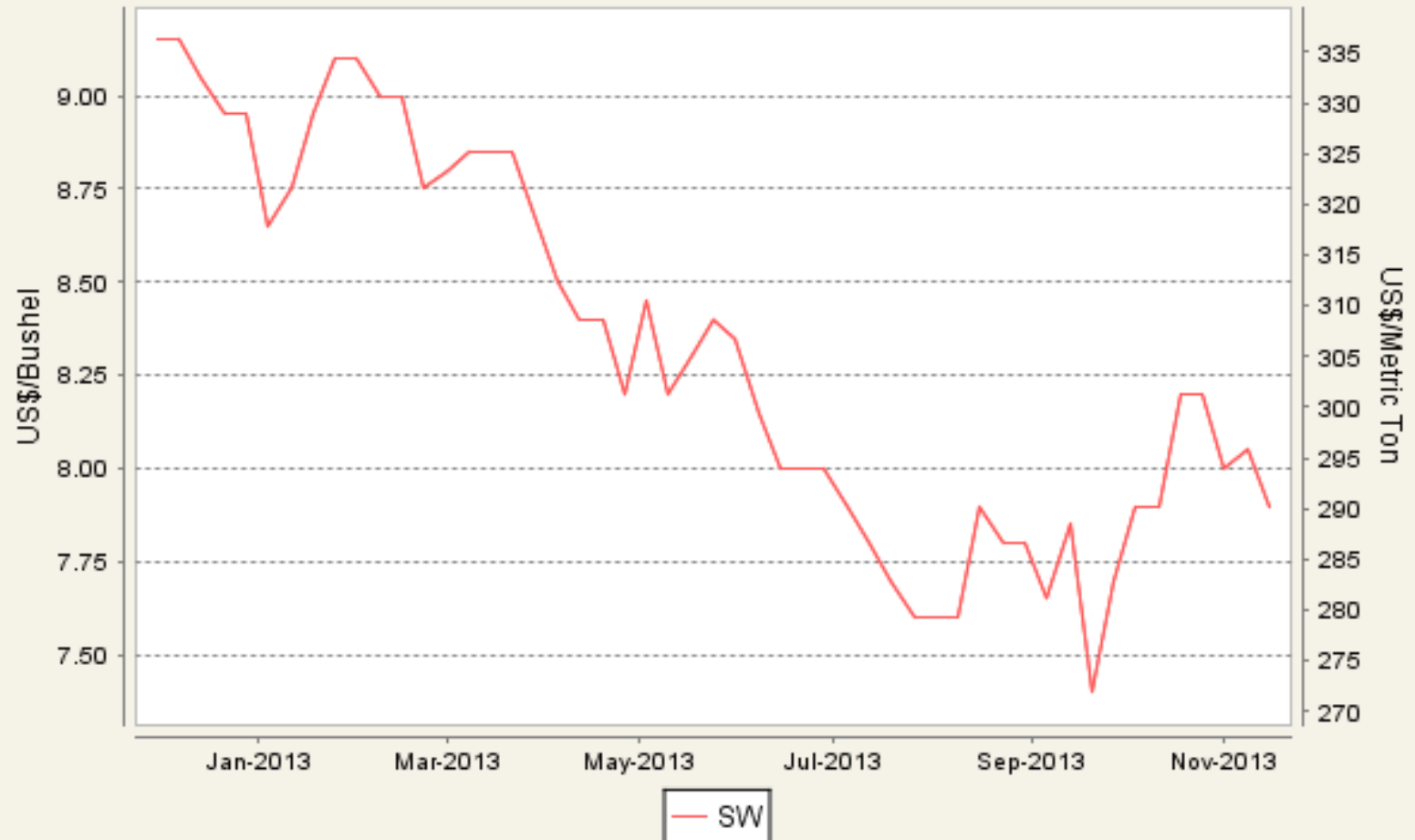


## ZWH14 - Wheat - Daily Line Chart



## Nearby Cash Prices at Export Location(s)

Weekly Values for Nov 27, 2012 - Nov 27, 2013





### ZW - Wheat - Weekly Nearest Line Chart



## Nearby Cash Prices at Export Location(s)

Weekly Values for Jan 1, 2009 - Nov 27, 2013



## ZWU14 - Wheat - Daily Line Chart



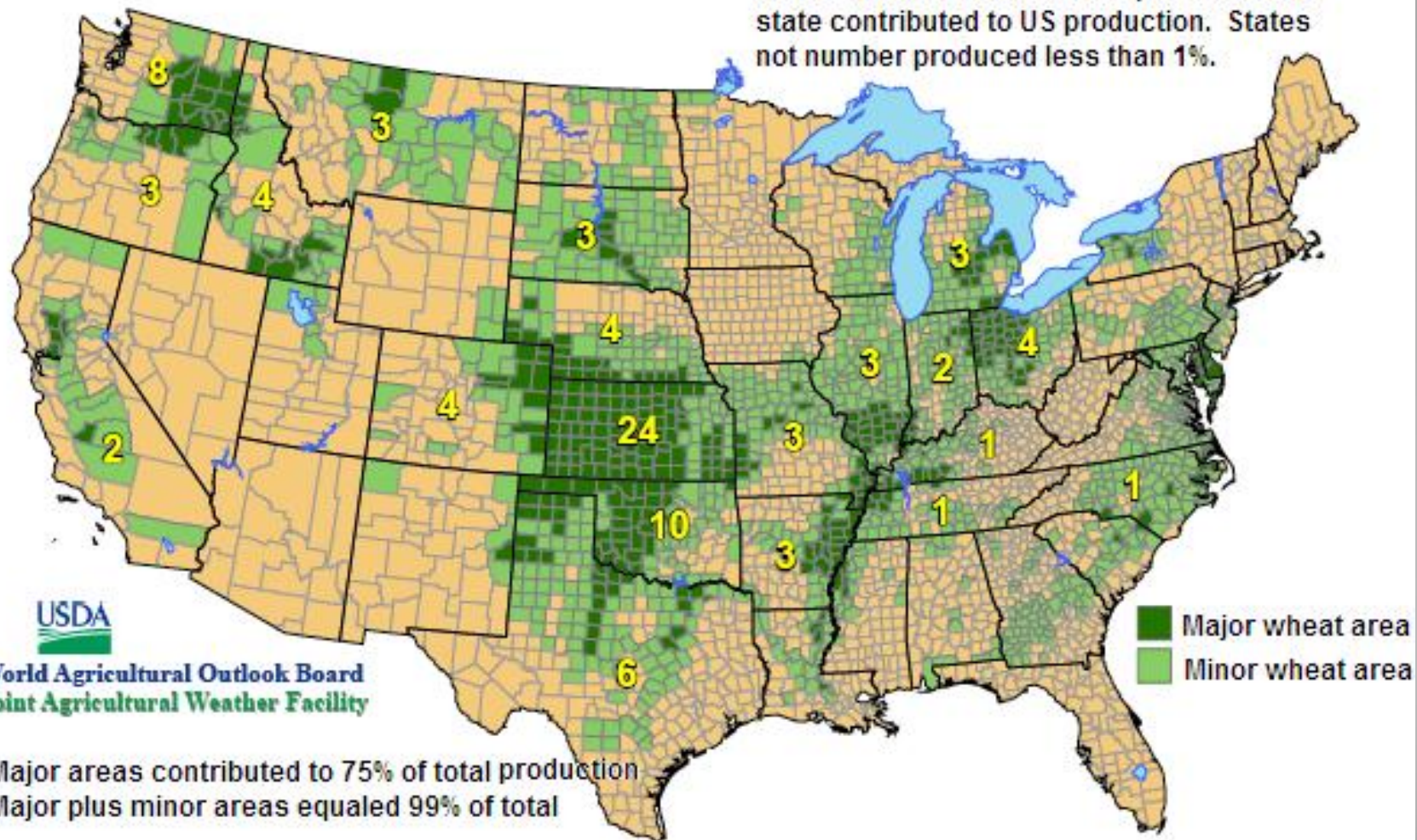
# Wheat Price Outlook



- **Ave. U.S. farm-gate price projection:**  
\$6.70 - \$7.30/bu – MY 2013/14  
\$7.77 - MY 2012/13  
\$7.24 - MY 2011/12
- **Idaho SWW prices:** \$6.10/bu Nov. 2013 vs.  
\$8.25 Nov. 2012
- **Idaho HRS prices:** \$6.83/bu Nov. 2013 vs.  
\$8.84 Nov. 2012
- **Revenue insurance projected prices:**  
\$6.72 winter (\$8.40), \$7.54 spring (\$7.37)

## United States: Winter Wheat

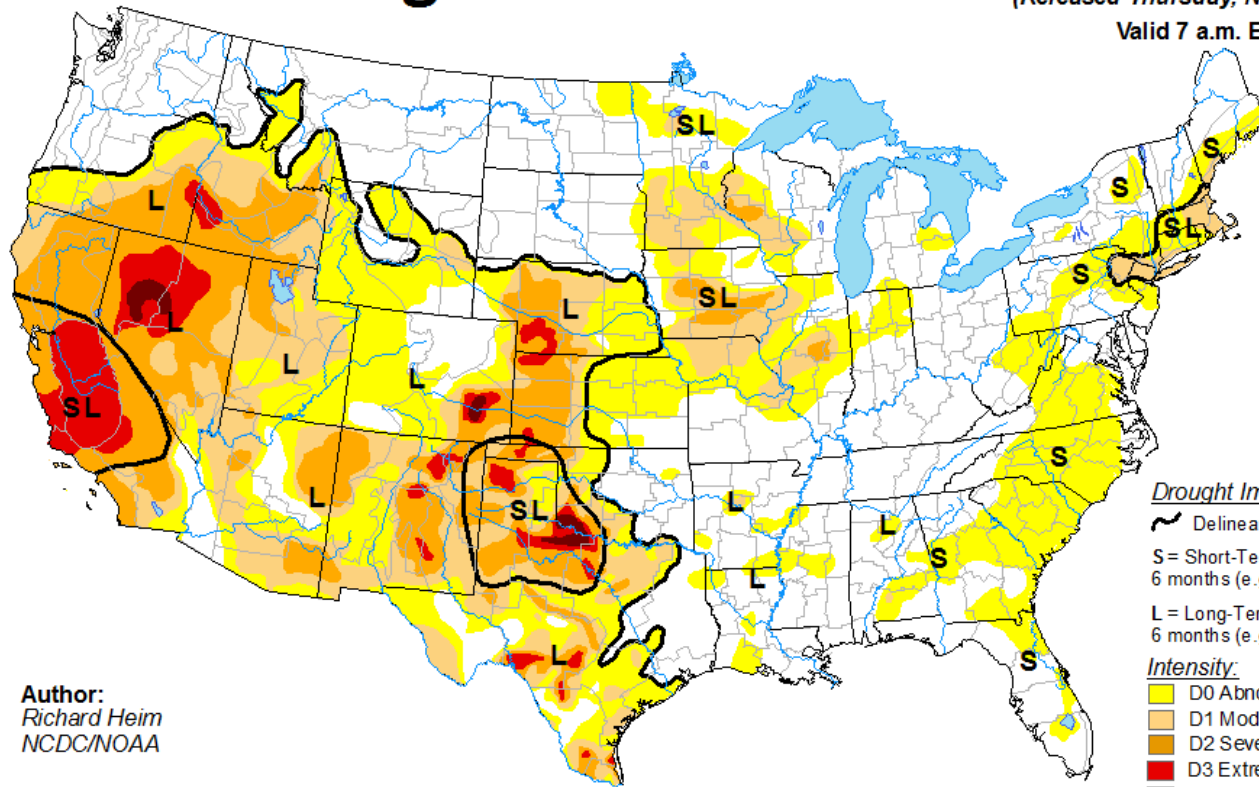
Yellow numbers indicate the percent each state contributed to US production. States not numbered produced less than 1%.



# U.S. Drought Monitor

November 26, 2013  
(Released Thursday, Nov. 28, 2013)

Valid 7 a.m. EST



Author:  
Richard Heim  
NCDC/NOAA

## Drought Impact Types:

~ Delineates dominant impacts

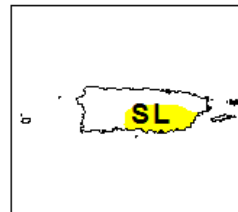
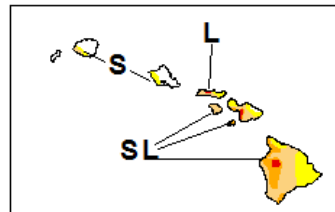
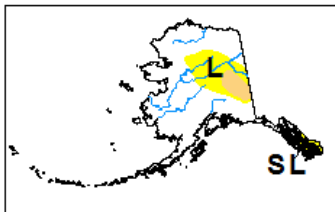
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)

L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

## Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

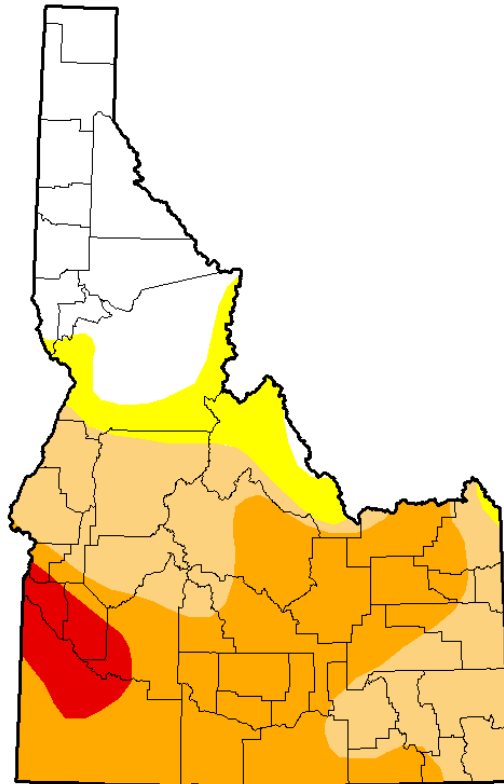
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



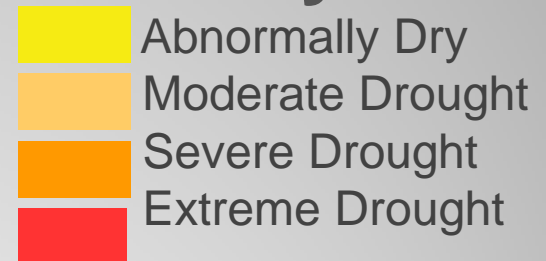
<http://droughtmonitor.unl.edu/>



***U.S. Drought Monitor***  
**Idaho, November 26, 2013**  
**NOAA**



**Intensity:**

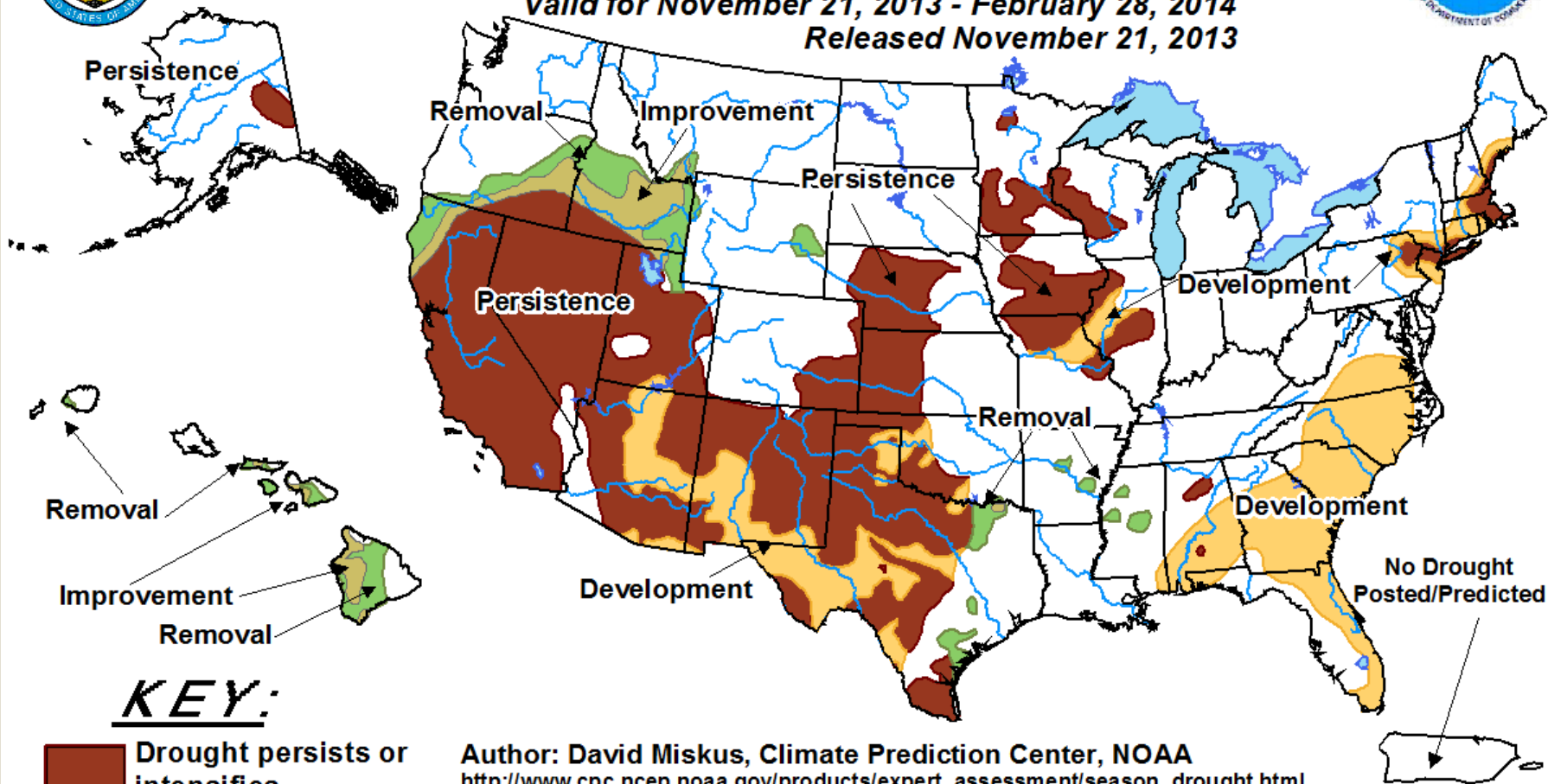








# U.S. Seasonal Drought Outlook

## Drought Tendency During the Valid Period

Valid for November 21, 2013 - February 28, 2014  
Released November 21, 2013



### KEY:

-  Drought persists or intensifies
-  Drought remains but improves
-  Drought removal likely
-  Drought development likely

Author: David Miskus, Climate Prediction Center, NOAA  
[http://www.cpc.ncep.noaa.gov/products/expert\\_assessment/season\\_drought.html](http://www.cpc.ncep.noaa.gov/products/expert_assessment/season_drought.html)

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor.

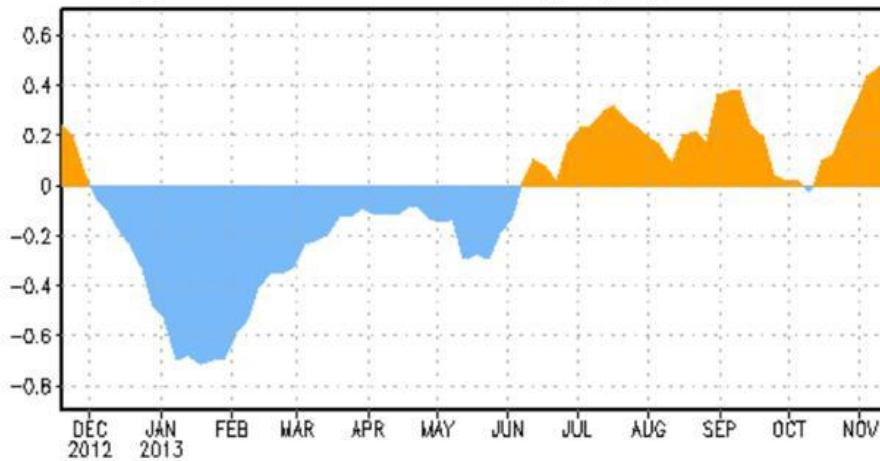
NOTE: The tan area areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period although drought will remain. The Green areas imply drought removal by the end of the period (D0 or none)



# Emergence of El Nino?

Equatorial Upper Ocean Heat Content Increasing in November

EQ. Upper-Ocean Heat Anoms. (deg C) for 180-100W



- Northern (polar) jet stream builds up a warm ridge of high pressure in Western Canada that leads to rather moderate temperatures and reduced precipitation.
- Strong southern storm track in the winter season and heavy rainfall in the southern U.S.